

# Banking Committee JOINT FAVORABLE REPORT

**Bill No.:** HB-5497

AN ACT PROHIBITING CERTAIN EMPLOYERS IN THE SECURITIES  
INDUSTRY FROM REQUIRING EMPLOYEES TO ENTER INTO NONCOMPETE

**Title:** AGREEMENTS.

**Vote Date:** 3/20/2018

**Vote Action:** Joint Favorable

**PH Date:** 3/15/2018

**File No.:**

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

## **SPONSORS OF BILL:**

Banking committee.

## **REASONS FOR BILL:**

The securities industry frequently requires employees to enter into non-compete agreements. This makes it difficult for individuals in the securities industry to start new firms, and inhibits competition.

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

None expressed.

## **NATURE AND SOURCES OF SUPPORT:**

None expressed. (In support of HB 5497).

## **NATURE AND SOURCES OF OPPOSITION:**

### **David T. Bellaire, Esq. Financial Services Institute**

Opposes the bill because this will frustrate the Financial Services Institute's financial "advisor members' efforts to maintain customer relationships". They also argue that there are several alternatives available in the financial industry. Noncompete agreements are beneficial to independent financial advisors, who are currently aging out of the industry. David Bellaire goes on to say that because financial advisors are aging out of the industry, they need to train the next generation of financial advisors, and non-compete agreements make it easier for them to do so.

**Dallas Dodge, Vice President and Counsel, Insurance Association of Connecticut**

Opposes the bill because non-compete agreements are beneficial to employees and employers, provided that they are reasonable. Employees can use them to negotiate higher pay and compensation, and employers are able to guarantee that former employees who begin working for other companies or starting their own businesses, don't use confidential information against their former employers. "Connecticut case law... places restrictions and limitations on the use of non-compete clauses." Dallas Dodge went on to say that courts employ a robust, five-factor test to determine whether a non-compete clause is enforceable.

**Reported by: Sara LeMaster**

**Date: 3/29/2018**